

Washington State Auditor's Office
Accountability Report

**Central Puget Sound Region/
Transit Authority
(Sound Transit)
King, Pierce and Snohomish Counties**

Audit Period
January 1, 2000 through December 31, 2000

Report No. 62954

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January 25, 2002



Washington _____
State Auditor

Brian Sonntag

Audit Summary

Sound Transit King, Pierce and Snohomish Counties January 1, 2000 through December 31, 2000

ABOUT THE AUDIT

This report contains the results of our independent audit of Sound Transit for the period January 1, 2000, through December 31, 2000.

Consistent with our authority, we audited a number of areas to determine whether the Transit operated in compliance with state and local laws and regulations. We also evaluated the internal controls established by Transit management. Our work focused on specific areas that have potential for abuse or misuse of public resources.

RESULTS

The Transit complied with state laws and regulations and its own policies and procedures in the areas we examined. We noted certain matters that we have communicated to management. We appreciate the Transit's commitment to resolve these matters.

RELATED REPORTS

Our opinions on the Transit's financial statements and its compliance with federal requirements are provided in a separate report, which includes the Transit's financial statements.

CLOSING REMARKS

In the areas examined, we found the Transit complied with state laws and regulations and its own policies and procedures.

We thank Transit officials and personnel for their assistance and cooperation during the audit.

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Description of the Transit

Sound Transit King, Pierce and Snohomish Counties January 1, 2000 through December 31, 2000

ABOUT THE TRANSIT

In 1992, the Washington State Legislature authorized King, Pierce and Snohomish counties to create a single agency to plan, build and operate a high-capacity transit system within the region's most heavily used travel corridors. During 1993, the Central Puget Sound Regional Transit Authority, Sound Transit, was established under the name Sound Transit.

In 1996 the Transit proposed and the voters adopted, a ballot measure that created the 10-year regional transit system plan. This plan includes two new rail systems (electric light-rail and commuter rail), regional express bus routes and a high-occupancy vehicle expressway.

The Transit's Board and management promised an aggressive timeline for completion of the project. In 1999, the Transit began its transition from a planning to an operational agency by the establishment of regional bus routes linking Pierce and King Counties. In addition, locomotives and passenger rail cars were purchased for the heavy rail system, and sites were secured for rail station locations and the Transit's administrative offices.

The Transit is supported primarily through sales taxes, state motor vehicle taxes, rental car taxes, passenger fares, bond proceeds and grant funding from federal and state agencies. The Transit has proposed a 2002 budget of nearly \$750 million, which includes approximately \$600 million in capital outlay. The Transit has more than 260 employees.

The Transit is governed by a Board of 18 members, who are appointed by the executives of member counties and confirmed by the Council of each member county. Membership is based on the population from that portion of each county within the Transit's service area.

AUDIT HISTORY

We have audited the Transit annually since 1995. Management has been very responsive to prior audit recommendations. Audit concerns are often discussed, addressed and resolved before completion of our audit. The Transit has had only one finding, in 1995, relating to compliance with state bid laws.

ELECTED OFFICIALS

These officials served during the audit period:

Council Members:

Chair

Vice Chair

Vice Chair

Dave Earling, City of Edmonds Council Member

Doug Sutherland, Pierce County Executive
(through December 2000)

Greg Nickels, King County Council Member
(through December 2001)

Bob Drewel, Snohomish County Executive

Ann Davis, City of Lakewood Council Member

Mary Gates, City of Federal Way Council Member

Jane Hague, King County Council Member

Ed Hansen, City of Everett Mayor

Richard McIver, City of Seattle Council Member

Rob McKenna, King County Council Member

Sid Morrison, Washington State Department of
Transportation Secretary (through April 2001)

Paul Schell, City of Seattle Mayor

Ron Sims, King County Executive

Cynthia Sullivan, King County Council Member

Jim White, City of Kent Mayor

Jack Crawford, City of Kenmore Deputy Mayor

Kevin Phelps, City of Tacoma Deputy Mayor

John Ladenburg, Pierce County Executive

Dave Enslow, City of Sumner Council Member

NOTES: Doug MacDonald, WSDOT Secretary, replaced Sid Morrison effective April 2001; Dave Enslow was elected Vice Chair effective January 2001; John Ladenburg, Pierce County Executive, replaced Doug Sutherland effective January 2001.

APPOINTED OFFICIALS

Executive Director

Chief Operating Officer

Deputy Executive Director and Director
of the Office of Policy and Planning
Finance and Administration Director

Bob White (through January 2001)

Joni Earl (through October 2000)

Paul Matsuoka (through April 2001)

Hugh Simpson

Notes: Joni Earl served as Acting Executive Director effective January 2001, and was appointed Executive Director June 2001; Vernon Stoner replaced Paul Matsuoka as Deputy Executive Director effective April 2001; Hugh Simpson also became Chief Financial Officer effective June 2001.

ADDRESS

Transit

401 South Jackson Street
Seattle, WA 98104
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Audit Areas Examined

Sound Transit King, Pierce and Snohomish Counties January 1, 2000 through December 31, 2000

In keeping with general auditing practices, we do not examine every portion of the Sound Transit's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the Transit were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Open Public Meetings Act
- Contracts and agreements
- Public works laws including bonding and prevailing wages
- Bidding
- Travel
- Credit card usage

INTERNAL CONTROL

We evaluated the following areas of the Transit's internal control structure:

- Accounts receivable
- Miscellaneous cash receipts
- Disbursements
- Payroll
- Travel
- Sub-area equity (amounts received from each of the five sub-areas are expended on projects in that sub-area)

FINANCIAL AREAS

Our opinion on the Transit's financial statements is provided in a separate report, issued September 28, 2001. In addition to the financial related work listed in other categories, we reviewed the work performed by the other independent auditors hired by the transit to render an opinion on the Transit's financial statements. Those auditors gave the Transit an unqualified opinion. Based on our review of their work and the financial related work we performed, we agree with that opinion.

FEDERAL PROGRAMS

We reviewed the work performed by the Transit's other independent auditors, hired by the Transit to perform a federal single audit. The other auditors evaluated internal controls and tested compliance with federal requirements, as applicable, for the Transit's major federal programs, which are listed in the Federal Summary section of the financial and single audit report we issued September 28, 2001.